Irregularities committed in Jaipur Stock Exchange

2282. SHRI V. GOPALSAMY: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware of the irregularities committed in the induction of 100 new members of Jaipur Stock Exchange;

(b) if so, the details thereof; and

(c) steps being taken to see that such irregularities are not being committed in other stock exchanges while inducting new members in future?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. DEBI PROS AD PAL): (a) and (b) There were certain allegations of irregularities in the selection and admission of 100 new members of Jaipur Stock Exchange. The matter has also been under litigation in the Rajasthan High Court. The Court in its order dated 20.10.1995 had directed the Securities and Exchange Board of India (SEBI) to grant certificate of registration to these 100 new members within a period of one month. Subsequently, the Court has extended this period and has directed SEBI to grant the certificate of registration by 31.12.1995. The grant of certificate of registration by SEBI will, however, be subject to the final decision of the Court in this matter.

(c) The selection and admission of members of Stock Exchanges are governed by Rule 8 of the Securities Contracts (Regulation) Rules 1957, Rules/Articles of Association of the Stock Exchanges and certain criteria laid down by the Government. The Selection Committee for new members, which is set up by an Exchange with the approval of SEBI and which includes a nominee of SEBI, has the responsibility to ensure that no irregularities take place in the selection of new members of an Exchange. Besides, the Governing Bodies of Stock Exchanges include nominees of SEBI and Public Representatives.

Private assistance to develop Vijayawada Airport

2283. SHRI V. HANUMANTHA RAO: Will the Minister of CIVIL AVIATION AND TOURISM be pleased to state:

(a) whether Government have sought any private assistance to develop Vijayawada Airport;

(b) if so, the details thereof;

(c) whether any joint effort has been made to secure technical and economic cooperation from private investors for the development of Vijayawada Airport; and

(d) if so, the details thereof?

THE MINISTER OF CIVIL AVIATION AND TOURISM (SHRI GHULAM NABI AZAD): (a) No, Sir.

(b) Does not arise.

(c) No, Sir.

(d) Does not arise.

Making Public the Draft Prospectuses of Corporates

2284. SHRI RAMNATH KOVIND: Will the Minister of FINANCE be pleased to state:

(a) whether the Securities and Exchange Board of India propose to make it compulsory for corporates to make their draft prospectuses public as soon as they file their applications for approaching the primary markets;

(b) if so, details thereof;

(c) whether some objectives are to be achieved from such proposal;

(d) if so, the details thereof and if not, reasons therefor;

(e) whether small investors will be benefited from this proposal in any way; and

(f) if so, the details thereof and if not, reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. DEBI PROS AD PAL): (a) and (b) Securities and Exchange Board of India (SEBI) has recently made it compulsory that the drafts prospectuses filed with it should be made available to the public at the office of. the concerned Merchant Bankers. Besides, copies of the draft prospectuses should also be filed with the Stock Exchanges, where the capital issues are proposed to be listed. Accordingly, the public can obtain copies of these documents from the concerned Exchanges, the Lead Merchant Bankers and SEBI.

(c) and (d) The decisions of SEBI referred to at (a) and (b) above are intended to enhance transparency in offer documents by enabling the public as well as other interested persons to send their comments on the contents of the draft prospectuses to SEBI and Lead Merchant Bankers for consideration so that further disclosures as may be necessary may be incorporated in the final prospectuses.

(e) and (f) The new system would help small investors as well as other investors to make informed investment decisions on the basis of prospectuses- containing full and relevant disclosures.

Income tax on interest on non- erforming assets of Banks

2285. SHRI E. BALANANDAN: Will the Minister of FINANCE be pleased to state:

(a) whether the Supreme Court has held that banks are liable to pay Income Tax in respect of interest on non-performing assests which have accrued but have not been accounted for by the banks as income;

(b) if so, whether Government have taken steps to implement the decision of the Supreme Court; and

(c) the amount of additional income tax that has become due from banks for the years 1991-92 to 1993-94 and the amount realised by Government?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY): (a) and (b) The Hon'ble Supreme Court in the case of State Bank of Travancore Vs CIT Kerala (158 ITR page 102) held that interest accrued on "sticky advances" which is debited to the account of debtor on the mercantile system of Accounting but the corresponding credit is taken to the suspense account, has to be treated as income of the assessee. This decision has been followed by the Hon'ble Supreme Court in a recent judgement in the case of Grindlays Bank and Others (210 ITR page 129). Upto assessment year 1990-91, the income of the banks in respect of interest accrued on sticky advances has been assessed to tax in line with the Judgement of Hon'ble Supreme Court.

(c) The Finance (No. 2) Act, 1991, has inserted Section 43D which provides that in the case of public financial institution or a scheduled bank or a State financial corporation or a State industrial investment corporation, the income by way of interest in relation to such categories of bad or doubtful debts as may be prescribed having a regard to the guidelines issued by the Reserve Bank of India in relation to such debts, shall be chargeable to tax in the previous year in which it is credited by the public financial institution or the scheduled bank or the State financial corporation or the State industrial investment corporation to its profit and loss account for that year or, as the case may be, in which it is actually received by that institution or bank or corporation, whichever is earlier.

In view of the provisions of Section 43D, which are applicable from assessment year 1991-92 onwards, the question of payment of any additional tax in respect of interest on "sticky advances" for the years 1991-92 to 1993-94 does not arise.